



To: Chairman Rep. Luxenberg, Sen. Moore, Ranking Members Rep. Polletta, Sen. Sampson, and distinguished Members of the Housing Committee

From: Tony Valenti and Mark Lovley, Principals of Newport Realty Group, LLC

Subject: Opposition to House Bill 6588; and Act Concerning Rent Stabilization

Newport Realty Group is a small real estate developer and owner of mixed-use properties containing multifamily units, with inventory primarily located in the central Connecticut market. As a highlight of one our development, we are currently underway with a Transit Oriented Development (TOD) located adjacent to the Berlin Train Station in the Town of Berlin, CT called Steele Center. This development is moderate in scope and size, and when finished will offer seventy multifamily units and approximately twenty-five thousand square feet of commercial space.

Mark Lovley is a past President of the Home Builders & Remodelers Association of Central Connecticut, and our firm remains active members of this Association. Through our membership, and additional due diligence, we have been educated on the concept of Rent Control. Based on our findings, we are vehemently oppose Rent Control, and ask the Housing Committee to oppose House Bill 6588 as well.

More Housing:

Based on the demand for housing we experience every day, it is easy to see that Connecticut is realizing a shortfall in supply of housing of all types. The solution is not a simple one, nor one that can be addressed quickly. Newport has experienced a strong and productive partnership with the Town of Berlin, and several state agencies helping to launch our Steele Center TOD. We strongly believe and suggest that more public / private partnerships could be a productive strategy to provide the housing needed in Connecticut. These partnerships should address zoning matters, as well as the variety of challenges facing developers that bog down us done sometimes to a point where the development becomes unfeasible to pursue.

Tax abatements, Brownfields Grants, appropriate and necessary local zoning changes to allow density, etc. are just a few examples of what developers need. Imposing caps on rent via Rent Control implies the opposite of what developers require, and all but eliminate the incentives we need to take the risk and build more multifamily units.

Financing:

As you know, as we finance our developments, the developers are required to provide equity and our banks provide the debt. We've worked long and hard to establish strong and ongoing relationships with our banking partners. Again, based on our due diligence, our banks would not likely provide the appropriate levels of debt that are required for a mixed-use multifamily development due to Rent Control restrictions. This is due to the fact that as operating costs inherently increase over time, with no limit, the rent that we can charge would be capped through Rent Control causing a slow but sure race to the bottom concerning the inability to maintain performing loans. This scenario applies to new construction or the purchase of an existing property.

Reinvestment / Maintenance:

This sub-topic is a simple one. Although we take great pride in the quality of our properties, as they age they require reinvestment. If the rental income is not at acceptable levels, and throttled by Rent Control, necessary reinvestment can not happen. This would clearly lead to sub-par, low quality housing options.

Rent Increases:

Statistics tell us that in the State of Connecticut, the cost of rent has moderately increased about 3.0% from 2007 to 2022. Most times, these modest increases does not provide income at levels necessary to cover increasing operating expenses such as; property and liability insurance, utilities, maintenance, property management, real estate taxes, etc. On a special note, some municipalities become egregious concerning real estate taxes charged for our properties, and at times we see real estate taxes singularly increasing at a pace above rental rate increases. Real estate tax is just one of many expenses we need to manage, and an expense that could be better controlled by the municipalities where we conduct our business.

Affordable Housing:

Although the Department of Housing / Connecticut Housing Finance Authority offer programs to incentivize developers to build affordable housing with noble intent, the programs are difficult for the average developer. The application process is difficult at best, the processes carries great risk of approval or denial, and require too much at risk capital. In addition, ongoing management of affordable related developments require substantial office infrastructure.

If the programs made available by the Department of Housing / Connecticut Housing Finance Authority were simplified, we would suggest more developers would participate and help launch a substantial inventory of affordable multi-family units.

On a positive note, the Department of Economic and Community Development has commenced the CT Communities Challenge Grant Program. This program offers a somewhat simplified approach to affordable housing, with parameters that can more nimbly be managed.

Commerce Breeds Commerce:

We can identify many developments that create commerce in the communities where they are located. A multifamily component of these developments provide the shoes on the ground, density of population, and most times a variety of cultures that all contribute to local commerce. If we as multifamily developers are throttled and controlled by Rent Control, we'll not be able to secure necessary financing for growth, the quality of multifamily will diminish, and overall commerce will spiral downward.